

Delamere Dairy Limited

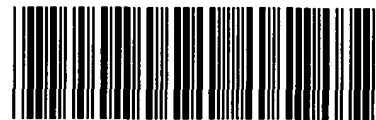
Report and Financial Statements

Year Ended

31 December 2014

Company Number 03761294

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Delamere Dairy Limited

Report and financial statements for the year ended 31 December 2014

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Directors

E A Sutton
R C D Sutton
E J Salt
P D J Brunt

Secretary and registered office

E A Sutton, Yew Tree Farm, Bexton Lane, Knutsford, Cheshire, WA16 9BH

Company number

03761294

Auditors

BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

Delamere Dairy Limited

Strategic report for the year ended 31 December 2014

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2014.

Review of the business

The principal activity of the company in the year under review was that of dairy product traders, specialising in goat's and cow's milk products and a range of plant based milk alternatives.

Turnover increased by just under 15% in 2014 due in the main to an increase in sales to China from £1.6m in 2013 to c. £4.17m. Whilst gross margin continued to be squeezed, the company was able to implement efficiency savings in the business resulting in an increase in the operating profit of just over 55%.

The first half of 2014 saw a fruitful consolidation of the business established over the preceding 2 years in SE Asia, principally China. The second half was marked by an abrupt interruption to the demand for imported dairy products to China due to a massive over- estimation of demand by the importers. This problem was widely experienced by the European dairy exporters. Difficult trading conditions in the UK prevailed for the whole of 2014 with most of our largest customers, the grocery multiples, under pressure to compete with the rising popularity of the discounters and thus unable to accept price increases in line with our cost increases.

Although 2014 turnover responded well to the investments made in product and people in 2013, the trading conditions experienced in 2014 required the company to keep a tight rein on overhead expenses. These were reduced in 2014 by over 4%. The number employed at the financial year end remained at 22 with the turnover per person increasing to almost £1.14m.

The company continued to make timely interest and capital repayments due throughout 2014 on the £2m term loan taken from Santander in 2013 to make further payments to its founders through settlement of vendor loan notes in its parent company, Delamere Dairy Holdings Limited.

In summary, the company successfully weathered a shock in mid 2014 due to the stalling of its fast growing SE Asia export business by maintaining its strength in its core UK business. We look forward to 2015 with confidence with continued growth in the core business and a resumption of a more measured demand from China and other new export markets.

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include the effects of price risk, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring the factors that affect each of these risks.

Price risk

The company is exposed to changes in the market prices of its products, both from an input and sales perspective. In order to protect against adverse price movements, the company is frequently reviewing its agreements with suppliers to ensure these are on commercially favourable terms.

Credit risk

Credit risk is managed by running credit checks on new customers and by monitoring payments against the contractual arrangements.

Liquidity risk

The company is financed with appropriate long term and short term finance to match the needs of the business.

Interest rate risk

The company's bank loan bears interest at a rate which changes in respect to changes in LIBOR, thereby exposing the company to measured risk on adverse movements in that rate.

Foreign exchange risk

Delamere Dairy Limited

Strategic report for the year ended 31 December 2014 (*continued*)

Principal risks and uncertainties (*continued*)

The company buys a significant proportion of its products in euros. FX exposure is managed both by implementing a minimum 3 month Euro forward contracts policy and a focus on increasing sales in Euros to export markets.

Volatile market risk

The company is seeking new markets to facilitate growth. In addition to the close management of credit risk and contractual arrangements, this risk is managed by ensuring the core UK business remains profitable and vibrant.

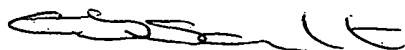
Financial instruments

The company holds financial instruments to finance its operations and these are monitored as part of the day to day control procedures of the company.

The company maintains foreign currency bank accounts with sales and purchases made in foreign currencies. The company is therefore exposed to movements in the sterling exchange rate. The Board monitors the net exposure and uses appropriate bank facilities, such as forward contracts, to limit the effects on the financial performance of the company to such exposure.

Taking account of natural hedging which takes place in the company when purchases and sales are made in the same foreign currency, cashflow requirements are considered on a regular basis to ensure that appropriate facilities are available to draw upon as necessary.

On behalf of the board



E J Salt
Director

24/9/15

Delamere Dairy Limited

Report of the directors for the year ended 31 December 2014

The directors present their report together with the audited financial statements for the year ended 31 December 2014.

Results and dividends

The profit and loss account is set out on page 7 and shows the profit for the year.

Post balance sheet events

There have been no events since the balance sheet date which materially affect the position of the company.

Research and development

The company continues to invest in research and development, which results in extensions and improvements to its product offering.

Directors

The directors of the company during the year were:

E A Sutton
R C D Sutton
E J Salt
P D J Brunt

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Delamere Dairy Limited

Report of the directors for the year ended 31 December 2014 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board



E J Salt
Director

24/9/15

Delamere Dairy Limited

Independent auditor's report

To the members of Delamere Dairy Limited

We have audited the financial statements of Delamere Dairy Limited for the year ended 31 December 2014 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Delamere Dairy Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BW LLP

Stephen Ward (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

25/9/15

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Delamere Dairy Limited

Profit and loss account for the year ended 31 December 2014

	Note	2014 £	2013 £
Turnover	2	25,070,958	21,849,919
Cost of sales		22,936,179	19,618,577
Gross profit		2,134,779	2,231,342
Administrative expenses		1,822,195	2,006,024
Operating profit	3	312,584	225,318
Other interest receivable and similar income		-	4,836
Interest payable and similar charges	6	(43,390)	(49,898)
Profit on ordinary activities before taxation		269,194	180,256
Taxation on profit on ordinary activities	7	40,791	39,177
Profit on ordinary activities after taxation		228,403	141,079

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

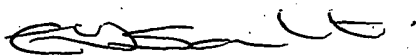
The notes on pages 9 to 19 form part of these financial statements.

Delamere Dairy Limited

Balance sheet at 31 December 2014

<i>Company number 03761294</i>	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Intangible assets	8		20,936		21,279
Tangible assets	9		72,573		71,401
			<u>93,509</u>		<u>92,680</u>
Current assets					
Stocks	10	835,873		836,749	
Debtors	11	7,519,501		7,767,746	
Cash at bank and in hand		321,036		268,669	
		<u>8,676,410</u>		<u>8,873,164</u>	
Creditors: amounts falling due within one year	12	<u>4,055,986</u>		<u>4,077,917</u>	
Net current assets			<u>4,620,424</u>		<u>4,795,247</u>
Total assets less current liabilities			<u>4,713,933</u>		<u>4,887,927</u>
Creditors: amounts falling due after more than one year	13	1,200,000		1,600,000	
Provisions for liabilities	14	<u>5,394</u>		<u>7,791</u>	
			<u>1,205,394</u>		<u>1,607,791</u>
			<u>3,508,539</u>		<u>3,280,136</u>
Capital and reserves					
Called up share capital	15		400		400
Share premium account	16		49,950		49,950
Profit and loss account	16		3,458,189		3,229,786
Shareholders' funds	17		<u>3,508,539</u>		<u>3,280,136</u>

The financial statements were approved by the board of directors and authorised for issue on 24/9/15



E J Salt
Director

The notes on pages 9 to 19 form part of these financial statements.

Delamere Dairy Limited

Notes forming part of the financial statements for the year ended 31 December 2014

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Delemere Dairy Holdings Limited and the company is included in consolidated financial statements.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2005, is being amortised evenly over its estimated useful life of ten years.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax. Turnover is recognised when the risks and rewards of owning the goods has passed to the customer which is on the day that the goods are delivered.

Tangible fixed assets

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties and freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Improvements to property	- 10% on cost
Plant and machinery	- 15% on reducing balance
Fixtures and fittings and vehicles	- 25% on reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Patents and Licenses

This intangible asset is being written off on a straight line basis over ten years.

Research and Development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Delamere Dairy Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (*continued*)

1 Accounting policies (*continued*)

Finance costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Financial instruments

Financial instruments are measured initially and subsequently at cost.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. The recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Related party disclosures

The company is a wholly owned subsidiary of Delamere Dairy Holdings Limited and has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with Delamere Dairy Holdings Limited or other wholly owned subsidiaries within the group.

Delamere Dairy Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

2 Turnover

	2014 £	2013 £
Analysis by geographical market:		
United Kingdom	20,497,173	19,565,536
Europe	249,082	536,787
Rest of the world	4,324,703	1,747,596
	<u>25,070,958</u>	<u>21,849,919</u>

Turnover is wholly attributable to the principal activity of the company.

3 Operating profit

	2014 £	2013 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	15,839	19,883
Amortisation of positive goodwill	2,700	2,700
Amortisation of other intangible fixed assets	3,246	2,529
Hire of plant and machinery - operating leases	29,789	30,422
Fees payable to the company's auditor for the auditing of the company's annual accounts	11,200	12,000
	<u>52,774</u>	<u>67,534</u>

4 Employees

Staff costs (including directors) consist of:

	2014 £	2013 £
Wages and salaries	877,127	801,851
Social security costs	77,545	80,974
Other pension costs	960	-
	<u>955,632</u>	<u>882,825</u>

The average number of employees (including directors) during the year was 23 (2013 - 22).

Delamere Dairy Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

5 Directors' remuneration

	2014 £	2013 £
Directors' emoluments	260,965	245,538

The total amount payable to the highest paid director in respect of emoluments was £76,993 (2013 - £74,750).

6 Interest payable and similar charges

	2014 £	2013 £
Bank loans and overdrafts	43,390	43,350
All other loans (excluding loans from group companies)	-	6,548
	43,390	49,898

7 Taxation on profit on ordinary activities

	2014 £	2013 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	57,872	39,177
Adjustment in respect of previous periods	(14,684)	-
Total current tax	43,188	39,177
<i>Deferred tax</i>		
Origination and reversal of timing differences	612	-
Adjustment in respect of previous periods	(3,009)	-
Movement in deferred tax provision	(2,397)	-
Taxation on profit on ordinary activities	40,791	39,177

Delamere Dairy Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

7 Taxation on profit on ordinary activities (continued)

The tax assessed for the year is different to the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2014 £	2013 £
Profit on ordinary activities before tax	269,194	180,256
Profit on ordinary activities at the standard rate of corporation tax in the UK of 21% (2013 - 20%)	57,858	36,051
Effect of:		
Expenses not deductible for tax purposes	2,436	3,126
Capital allowances for period in excess of depreciation	(658)	-
Adjustment to tax charge in respect of previous periods	(14,684)	-
Marginal relief	(1,764)	-
Current tax charge for the year	43,188	39,177

Delamere Dairy Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

8 Intangible fixed assets

	Patents and licences £	Goodwill £	Total £
<i>Cost</i>			
At 1 January 2014	28,237	27,001	55,238
Additions	5,603	-	5,603
	<hr/>	<hr/>	<hr/>
At 31 December 2014	33,840	27,001	60,841
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 1 January 2014	9,658	24,301	33,959
Provided for the year	3,246	2,700	5,946
	<hr/>	<hr/>	<hr/>
At 31 December 2014	12,904	27,001	39,905
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2014	20,936	-	20,936
	<hr/>	<hr/>	<hr/>
At 31 December 2013	18,579	2,700	21,279
	<hr/>	<hr/>	<hr/>

Delamere Dairy Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

9 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Improvements to property £	Total £
<i>Cost or valuation</i>				
At 1 January 2014	49,796	99,063	58,914	207,773
Additions	208	16,511	292	17,011
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2014	50,004	115,574	59,206	224,784
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Depreciation</i>				
At 1 January 2014	37,096	75,743	23,533	136,372
Provided for the year	4,125	6,764	4,950	15,839
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2014	41,221	82,507	28,483	152,211
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Net book value</i>				
At 31 December 2014	8,783	33,067	30,723	72,573
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2013	12,700	23,320	35,381	71,401
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

10 Stocks

	2014 £	2013 £
Raw materials and consumables	835,873	836,749
	<u> </u>	<u> </u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

Delamere Dairy Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

11 Debtors

	2014 £	2013 £
Trade debtors	2,882,644	3,217,229
Amounts owed by group undertakings	4,397,318	4,397,318
Other debtors	178,288	95,475
Prepayments and accrued income	61,251	57,724
	<u>7,519,501</u>	<u>7,767,746</u>

All amounts shown under debtors fall due for payment within one year.

12 Creditors: amounts falling due within one year

	2014 £	2013 £
Bank loans and overdrafts (secured)	400,000	400,000
Trade creditors	1,866,018	2,128,106
Corporation tax	57,872	39,189
Other taxation and social security	18,465	20,185
Directors' loans	-	1,535
Factoring Creditor	1,404,874	1,249,573
Sundry Creditors	-	6,080
Accruals and deferred income	308,757	233,249
	<u>4,055,986</u>	<u>4,077,917</u>

Delamere Dairy Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

13 Creditors: amounts falling due after more than one year

	2014 £	2013 £
Bank loans (secured)	1,200,000	1,600,000
Maturity of debt:		
	Loans and overdrafts 2014 £	Loans and overdrafts 2013 £
In one year or less, or on demand	400,000	400,000
In more than one year but not more than two years	400,000	400,000
In more than two years but not more than five years	800,000	1,200,000
	1,200,000	1,600,000

The bank loans and factoring creditor with Santander UK PLC are secured over all of the group's assets.

14 Provisions for liabilities

	Deferred taxation £
At 1 January 2014	7,791
Credited to profit and loss account	(2,397)
	<hr/>
At 31 December 2014	5,394
	<hr/> <hr/>
<i>Deferred taxation</i>	

	2014 £	2013 £
Accelerated capital allowances	5,394	7,791

Delamere Dairy Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

15 Share capital

	2014 £	2013 £
<i>Allotted, called up and fully paid</i>		
400 ordinary shares of £1 each	400	400
	<u> </u>	<u> </u>

16 Reserves

	Share premium account £	Profit and loss account £
At 1 January 2014	49,950	3,229,786
Profit for the year	-	228,403
	<u> </u>	<u> </u>
At 31 December 2014	49,950	3,458,189
	<u> </u>	<u> </u>

17 Reconciliation of movements in shareholders' funds

	2014 £	2013 £
Profit for the year	228,403	141,079
Opening shareholders' funds	3,280,136	3,139,057
	<u> </u>	<u> </u>
Closing shareholders' funds	3,508,539	3,280,136
	<u> </u>	<u> </u>

Delamere Dairy Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

18 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2014 £	Other 2014 £	Land and buildings 2013 £	Other 2013 £
Operating leases which expire:				
Within one year	-	7,221	-	10,273
In two to five years	20,000	24,687	20,000	19,516
	<u>20,000</u>	<u>31,908</u>	<u>20,000</u>	<u>29,789</u>

19 Financial commitments

As at 31 December 2014, Delamere Dairy Limited was committed to £2,668,555 (2013 - £793,000) of foreign exchange contracts.

20 Related party disclosures

Controlling parties

The company is controlled by its directors with no one director having overall control.

The company is a wholly owned subsidiary of Delamere Dairy Holdings Limited and has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with Delamere Dairy Holdings Limited or other wholly owned subsidiaries within the group.

21 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary of Delamere Dairy Holdings Limited which is the ultimate parent company incorporated in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Delamere Dairy Holdings Limited, incorporated in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from Companies House. No other group accounts include the results of the company.